

**TENNESSEE GENERAL ASSEMBLY
FISCAL REVIEW COMMITTEE**



FISCAL NOTE

HB 1522 - SB 1634

March 2, 2016

SUMMARY OF BILL: Requires all trailers, whether for personal or commercial use, to be registered based on the following fee schedule: trailers with one axle - \$25.00; trailers with two axles - \$35.00; trailers with three or more axles - \$45.00. Establishes that such registration requirements shall apply to currently exempt trailers, such as trailers owned by farmers and used for agricultural purposes or hauling livestock between farm and market, trailers used for the transportation of boats or drawn by an automobile or truck, trailers used in the furtherance of a business, or truck trailers registered under the law for freight motor vehicles. Authorizes owners of freight trailers, semi-trailers, and pole trailers used primarily for hauling freights and trailers used in the furtherance of a business, who have received permanent registration plates pursuant to Tenn. Code Ann. § 55-4-113(a)(5)(A) prior to January 1, 2017, to retain such plates during the owner's interest in that vehicle. Authorizes county clerks to impose an additional \$1.00 fee on the initial issuance of registration and registration plates for trailers.

ESTIMATED FISCAL IMPACT:

Increase State Revenue – Net Impact –

\$364,800/FY16-17/General Fund

\$4,153,400/FY16-17/Highway Fund

\$238,800/FY16-17/Police Pay Supplement Fund

\$160,000/FY16-17/TRUST Fund

\$729,500/FY17-18 and Subsequent Years/General Fund

\$8,306,900/FY17-18 and Subsequent Years /Highway Fund

\$477,500/FY17-18 and Subsequent Years /Police Pay Supplement Fund

\$320,000/FY17-18 and Subsequent Years /TRUST Fund

Increase State Expenditures – \$960,000/FY16-17/General Fund

Increase Local Revenue – \$569,000/FY16-17

\$578,000/FY17-18

\$18,000/FY18-19 and Subsequent Years

Assumptions:

- Pursuant to Tenn. Code Ann. § 55-4-111(a)(1), the following registration fees are set under current law:
 - \$9.50 for privately owned trailers and trailers held for public rental, not exceeding eight feet in width and less than twenty feet in length, exclusive of the tongue, and all trailers which are limited to vacationing and camping purposes, unless otherwise exempted under present law, and any privately owned trailer or semitrailer that is otherwise exempted, but the owner desires to be registered;
 - \$19.00 for mobile homes or house trailers, whether privately owned or held for public rental, the chassis and exterior shell of which are designed and constructed for occupancy, but with dimensions not exceeding eight feet in width; and
 - \$31.00 for mobile homes or house trailers, whether privately owned or held for public rental, the chassis and exterior shell of which are designed and constructed for occupancy, but with dimensions exceeding eight feet.
- Pursuant to Tenn. Code Ann. § 55-4-111(c), such registration fees do not apply to: trailers owned by farmers and used for agricultural purposes or hauling livestock between farm and market, trailers used for the transportation of boats or drawn by an automobile or truck, trailers used in the furtherance of a business, or truck trailers registered under the law for freight motor vehicles.
- Freight trailers, semi-trailers, and pole trailers used primarily for hauling freights and trailers used in the furtherance of a business are registered pursuant to Tenn. Code Ann. § 55-4-113(a)(5)(A), for a registration tax of \$75.00, in addition to the taxes prescribed for trucks and truck tractors. Such registrations are valid for the duration of the owner's interest in the vehicle.
- According to the Department of Revenue, based on motor vehicle registration data as of January 2016, there are approximately 66,430 trailers registered in Tennessee pursuant to Tenn. Code Ann. § 55-4-111(a)(1), for which the average registration fee is \$9.50. It is assumed that these trailers have an average of two axles.
- The recurring increase in state revenue is estimated to be \$1,693,965 [66,430 x (\$35.00 new fee - \$9.50 old fee)].
- Based on information provided by the Department, it is assumed that there are approximately 600,000 trailers registered pursuant to Tenn. Code Ann. § 55-4-113(a)(5)(A), and that approximately 3 percent of them, or 18,000, are sold or transferred to another owner annually.
- Assuming that the average tax paid by such trailers is \$100.00, in addition to the \$75.00 registration tax, and that these trailers have an average of three axles, the recurring decrease in state revenue is estimated to be \$2,340,000 [(18,000 x \$175 old fee) – (18,000 x \$45.00 new fee)].
- There are approximately 100,000 accounts registered for the agricultural sales and use tax certificate exemption. It is therefore estimated that the number of farming trailers that are currently exempt from registration requirements, but will be required to register pursuant to this bill, is 100,000. It is assumed that these trailers have an average of two axles.
- The recurring increase in state revenue is estimated to be \$3,500,000 (100,000 x \$35.00).

- There are approximately 200,000 boat trailers in the state that are currently exempt from registration requirements, but will be required to register pursuant to this bill. It is assumed that 70 percent of these trailers, or 140,000, have one axle, and 30 percent, or 60,000, have two axles.
- The recurring increase in state revenue is estimated to be \$5,600,000 $[(140,000 \times \$25.00) + (60,000 \times \$35.00)]$.
- There are approximately 20,000 other trailers in the state that are currently exempt from registration requirements, but will be required to register pursuant to this bill. It is assumed that these trailers have an average of one axle.
- The recurring increase in state revenue is estimated to be \$500,000 $(20,000 \times \$25.00)$.
- The total number of new trailers that will be required to register pursuant to this bill is estimated to be 320,000 $(100,000 + 200,000 + 20,000)$.
- These new trailers will also be required to pay an additional fee of \$2.75, for a total recurring increase in state revenue of \$880,000 $(320,000 \times \$2.75)$.
- The net recurring increase in state revenue is estimated to be \$9,833,965 $(\$1,693,965 - \$2,340,000 + \$3,500,000 + \$5,600,000 + \$500,000 + \$880,000)$.
- Of this amount, \$8,306,892 is estimated to be an increase to the Highway Fund, \$729,528 is estimated to be an increase to the General Fund, including amounts distributed to the Department of Revenue, \$477,545 is estimated to be an increase to the Police Pay Supplement Fund, and \$320,000 is estimated to be an increase to the TRUST Fund for operation, maintenance, modernization, improvement, enhancement, or replacement of the titling and registration system.
- Due to the effective date of this bill of January 1, 2017, the first-year impacted (FY16-17) is estimated to be 50 percent of the full-year impact, or \$4,916,983.
- Of this amount, \$4,153,446 is estimated to be an increase to the Highway Fund, \$364,764 is estimated to be an increase to the General Fund, including amounts distributed to the Department of Revenue, \$238,773 is estimated to be an increase to the Police Pay Supplement Fund, and \$160,000 is estimated to be an increase to the TRUST Fund for operation, maintenance, modernization, improvement, enhancement, or replacement of the titling and registration system.
- There will be approximately 320,000 new trailer registrations a result of this bill $(100,000 + 200,000 + 20,000)$. Assuming an average cost per plate of \$3.30, the one-time increase in state expenditures to the General Fund for production of plates necessary to meet the demand is estimated to be \$960,000 $(320,000 \times \$3.00)$.
- Pursuant to Tenn. Code Ann. § 55-6-104(a)(1), county clerks are authorized to charge \$2.50 for issuing certificates of registration and registration plates, for transferring registration plates from one motor vehicle to another and issuing a certificate therefor, and for accepting for surrender certificate of registration and registration plates.
- The proposed legislation authorizes county clerks to impose an additional \$1.00 fee on the initial issuance of each set of certificates of registration and registration plates for trailers.
- Assuming that 50 percent of new registrations, or 160,000 $(320,000 \times 50\%)$, will take place in FY16-17, and 50 percent will occur in FY17-18, the increase in local revenue from the additional \$1.00 fee is estimated to be \$160,000 in FY16-17, and \$160,000 in FY17-18.

- Such fee shall also be imposed on the 18,000 trailers registered pursuant to Tenn. Code Ann. § 55-4-113(a)(5)(A) that are sold or transferred to a new owner each year. Fifty percent of such sales, or 9,000, is assumed to occur in FY16-17. The resulting increase in local revenue is estimated to be \$9,000 in FY16-17, and \$18,000 in FY17-18 and subsequent years.
- The \$2.50 fee is assumed to be imposed upon all new registrations, resulting in an increase in local revenue of \$400,000 in FY16-17 (160,000 x \$2.50) and \$400,000 in FY17-18 (160,000 x \$2.50).
- The total increase in local revenue is estimated to be \$569,000 in FY16-17 (\$160,000 + \$9,000 + \$400,000), \$578,000 in FY17-18 (\$160,000 + \$18,000 + \$400,000), and \$18,000 in FY18-19 and subsequent years.

CERTIFICATION:

The information contained herein is true and correct to the best of my knowledge.



Krista M. Lee, Executive Director

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